

Weekly Update – June 26, 2009

Articles appeared in the Birmingham News and other newspapers yesterday concerning the study of PACT by RSA.

Errors are reported in the news articles. PACT has not sustained market losses of 50%. At the end of December 2008, the drop in the value of the invested assets of the PACT Trust Fund was 31% for the calendar year. At the end of March, the return was a further reduction of 6.64%. These numbers are reported by Callan, the Investment Consultant to PACT. The reduction in the value of the Fund was due to both the decrease in market returns **and** the withdrawal of trust fund assets to pay benefits. It is important to note that, since January 2008, **\$52 million** in assets have been liquidated to pay tuition and qualified fee payments.

For many months, the PACT Board has reported the need for additional monies in order to pay all future benefits. We expect the RSA study will report the same results. At its May board meeting, the Board's actuary, Bob Crompton, provided an updated analysis of PACT's actuarial funded status. It was reported at the meeting, and posted on the PACT website, that the funded status had dropped to 52.2%, representing a deficit of \$460 million. The deficit at end of September 2008 was \$306 million, or a funded status of 67.2%.

The RSA study is expected to be available to the Governor and PACT Board in July, or August at the latest. The Joint Resolution passed by the Legislature called for RSA to conduct a study and to provide its findings and recommendations to the Governor and Legislature.